

## **Procedure 20335f: 60-Day Limitation for Business Expense Reporting Under Accountable Plan**

Virginia Tech's travel and other business expense reimbursement policies have been developed to meet the IRS definition of an "accountable plan." As a result, travel and other business expense reimbursements do not have to be reported as income to the traveler. However, to qualify under the IRS definition of an "accountable plan," reimbursement of business expenses and/or accounting for travel advances must meet the following requirements:

- **Business Connection and Reasonableness:** The expense must be business-related and reasonable. Advances by direct deposit must be made solely for business expenses, no sooner than 20 days prior to when the expense is expected to be incurred and must be reasonably related to the expenses the employee is expected to incur.
- **Complete Accounting for Expenses:** Those seeking reimbursement for business expenses must submit a Travel and Expense Report via Chrome River, following the University's Travel Procedure 20335.
- **Timely Repayment of Advances:** The travel expense reports should be submitted within 30 days of the last day of travel to facilitate the travel advance's repayment within the accountable plan rules according to University Procedure 20330.

Virginia Tech has adopted the IRS Safe Harbor for a "reasonable time" to substantiate business expenses, which is 60 days or less from the date the expense was incurred or the date the travel is concluded, whichever is later. If an employee does not substantiate their business expenses or account for their travel advance by submitting their Travel and Expense Report within 60 days, the amount reimbursed must be treated as compensation, subject to tax withholding, and reported on the employee's Form W-2.

Expenses are considered incurred when:

- **Non-Travel:** Date of the purchase
- **Travel:** Last day of business travel

The expense is considered "substantiated" at the time the reimbursement request, or the advance being accounted for, when the request is submitted in the designated system (e.g., when the employee or delegate clicks the "submit" button in the original reimbursement request in Chrome River, advancing the request to the next step in the approval process).

## Controller's Office Procedure

- Departments may establish earlier submission requirements to allow adequate processing time by a delegate. The employee and delegate are responsible for ensuring the report is submitted within the 60 day timeframe.
- Leave, summer break, or other forms of leave during this 60-day period do not exempt the employee or the university from IRS regulations and do not pause the 60-day timeframe.
- Any additional expenses not included in the original report and not submitted within the 60-day timeframe will be treated as a late submission.
- The IRS regulations do not provide exceptions for grant funds or any other funding sources.

**After the 60-day period, the submission will not qualify for "accountable plan" treatment and must be treated as taxable income to the employee. The employee is encouraged to discuss this matter with their tax advisor to ensure compliance with the IRS individual tax filing requirements.**